



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548



INTERNATIONAL DIVISION

August 14, 1969 /

B-167677 /

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Dear Mr. Secretary:

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In 1967 we undertook a review of the assistance provided Nigeria by the Agency for International Development (AID) and the Peace Corps covering a period of about seven years from the time the country gained its independence in 1960. At the conclusion of our work in Nigeria, supplemented by further work and discussions in Washington, we prepared a draft report setting forth our observations on the administration of the assistance through 1967 and the early stages of the war following the secession of Biafra.

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Our draft report was made available to AID and the Peace Corps, and in October 1968, and July 1968, respectively, we received their comments. We considered these comments and the actions taken or proposed by AID and the Peace Corps on the practices which we had found existed prior to the civil war which in our opinion needed corrective actions.

Our original intent was a detailed report to the Congress on this review. However, because the disruptive effects from the war have shown no signs of abating and because the assistance programs have been redirected from economic development to that of relief and rehabilitation, we do not believe that it would serve a useful purpose to submit a detailed report on the earlier conditions.

Accordingly, we plan no further reporting on our review at this time because of these changed conditions. We will consider a further review of the programs in Nigeria and the manner in which they are being managed when the civil conflict ends and economic development prospects can be reassessed in terms of longer range purposes.

Meanwhile we wish to bring to your attention and to the Committees of the Congress having responsibilities in foreign assistance programs, the summary results of our review which we believe will be useful in the interest of effective current management. Your attention is invited particularly to the items relating to (1) the desirability of achieving greater coordination with assistance offered by other donors, (2) the need to better assess the host country capabilities in programming United States assistance for economic development, and (3) need for improved in-country management and evaluation of continuing projects.

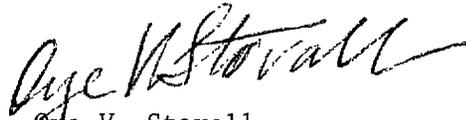
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We shall appreciate being advised of your views on the matters presented in the report as well as any action taken or contemplated by the AID and the Peace Corps.

Copies of this letter are being sent to the Administrator of AID, the Director of the Peace Corps, and the Director, Bureau of the Budget. We are also sending copies to the committees of the Congress having responsibilities for foreign assistance matters.

Sincerely yours,



Guy V. Stovall
Director, International Division

Enclosure

The Honorable
The Secretary of State

ASSISTANCE PROVIDED TO NIGERIA BY THE
AGENCY FOR INTERNATIONAL DEVELOPMENT
AND THE PEACE CORPS

GENERAL INFORMATION

The General Accounting Office review of assistance provided to Nigeria by the Agency for International Development (AID) and the Peace Corps (PC) generally covered the period from the country's independence in late 1960, to 1967 and the outbreak of the civil war. We reviewed 10 technical cooperation projects involving \$22.6 million and 6 development loans involving about \$23 million. In addition, we reviewed selected aspects of the Peace Corps program. Our audit work in the country was performed from May 1967 to July 1967, followed by some supplemental work and discussions in Washington.

The long-range objective of the AID program of assistance to Nigeria was to help that country with a comprehensive economic development program so that, as a vigorous, open economy, it might move toward self-sustaining economic growth. Toward this end, the United States, in 1961, made a commitment of \$225 million in support of the Nigeria 6-year National Development Plan, 1962-68. The principal types of United States as well as other external donor assistance through fiscal year 1967 are summarized below.

(in \$ millions)

United States Assistance

AID and predecessor agencies		
Technical cooperation grants (obligations)	\$104.7	
Development loans (authorizations)	<u>61.2</u>	\$165.9
Food for Peace (P.L. 480)		
Title III (Donations for charitable distribution)		3.6
Export-Import Bank Loans		6.7 <u>1/</u>
Peace Corps		<u>24.6</u>
 Total United States		 <u>\$200.8</u>

International Organizations

International Bank for Reconstruction and Development	\$185.5
International Development Association	35.5
International Finance Corporation	2.9
United Nations Special Fund	18.2
UN Expanded Program for Technical Assistance	5.6
Other UN programs	<u>5.6</u>
Total International Organizations	<u>\$253.3</u> ^{2/}

Other

Free-World aid (non-United States)	\$398.9	^{3/}
Communist Bloc countries	<u>84.0</u>	<u>\$482.9</u> ^{4/}
TOTAL		<u>\$937.0</u>

1/ Through fiscal year 1966 only.

2/ Fiscal years 1946-67. Of this amount, \$224.6 million was provided during 1960-67.

3/ AID informed us that over half of the non-United States free world assistance is furnished by the United Kingdom.

4/ Fiscal years 1960-67.

AID's Budget Presentation To The Congress for FY 1970, shows U.S. immediate objectives, in addition to supporting the international relief effort, are to "(1) strengthen Nigeria's capability to initiate its own short-term relief and rehabilitation efforts in the re-occupied area of Federal Nigeria, (2) support Nigeria's continuing economic development programs in those areas basically unaffected by the war, (3) assist in addressing national problems of reconstruction and economic recovery, and (4) renew a country-wide development effort with emphasis on those forces which can promote national unity and integration." The following schedule summarizes the assistance program for 1968-70.

Program Summary
(in \$ million)

	1968 <u>Actual</u>	1969 <u>Estimated</u>	1970 <u>Proposed</u>
Development Loans	\$ 9.7	\$ 7.2	\$ 2.5
Technical Assistance	11.6	10.2	11.2
Supporting Assistance	-	21.5 <u>1/</u>	20.0 <u>1/</u>
Contingency Fund	-	1.9 <u>1/</u>	-
World Wide Disaster Relief Fund	-	1.5 <u>1/</u>	-
	<u>\$21.3</u>	<u>\$42.3</u> <u>1/</u>	<u>\$33.7</u> <u>1/</u>

1/ Includes amounts of \$21.3 million and \$10.0 million for 1969 and 1970, respectively, channeled through non-political international committees for the international relief effort.

Nigeria, with an estimated population of 44.5 million, is the most populous country in Africa. In both geographic size, 357,000 square miles, and population it is comparable to the largest countries of Western Europe. Prior to 1914, Northern Nigeria and Southern Nigeria were administered separately by the British. In 1914 the British Colony and Protectorate of Nigeria was established. Nigeria was granted full independence on October 1, 1960, culminating a gradual process of assumption of governing responsibility.

Until recently the country was composed of four regions (Northern, Western, Mid-Western and Eastern) and a Federal Territory. The major divisions were along cultural lines between the predominantly Moslem North and the largely Christian South. Within both these broad categories, however, there were strongly differentiated tribal groups which have had a recent history of forming competing political parties. The above four regions are now divided into twelve states.

The Northern Region, with 79 percent of Nigeria's land area, is believed to contain about 53 percent of the total population. The principal tribes inhabiting this section are the Hausas and the Fulanis. These tribes have a common language, Hausa, and a common religion, Islam. The Western Region is inhabited principally by the Yoruba tribe which has its own distinctive cultural patterns. The Western Region and the Federal Territory, which is within this region, comprise about 20 percent of the population and 8.5 percent of the land area.

The majority of the population in the Eastern Region are Ibo and Christian. This region contains 8.3 percent of Nigeria's land area and about 23 percent of the population. In the Mid-Western Region the two major groups are the Edo speaking people, the Benis and the Ijaws. There is also a sizable and very active Ibo minority. This region contains about 4 percent of the population and 4.2 percent of the land area.

In January 1966, after the overthrow of the civilian government, General J. T. U. Aguiyi-Ironsi became head of a National Military Government. General Ironsi, an Ibo, was assassinated in July 1966 and Major General Yakubu Gowon, a member of a minority Northern tribe, became head of the Federal Military Government. In October 1966 anti-Ibo rioting erupted in the North with reportedly 15,000 to 20,000 Ibos killed and over 1 million Ibos fleeing the Northern and Western Regions to the Ibo dominated Eastern Region. This culminated in the Military Governor of the Eastern Region formally declaring secession in May 1967. The Federal regime then proclaimed the present civil war to crush the secession.

In July 1969 it was reported that when the conflict began, the Ibo tribesmen of Biafra were a nation of 15 million people, that they now by the government's estimate have been reduced to 7 million, in an island enclave of 9000 square miles, as contrasted with their original area of 40,000 square miles, and that in spite of enormous hardships, the Biafra army continues to fight. When the war ends there presumably will be a long and strenuous task of reconstruction.

COORDINATION AMONG DONORS CONTRIBUTING
EXTERNAL ASSISTANCE TO NIGERIA

Our review showed that although various countries, world organizations, and foundations have contributed substantial assistance to the Government of Nigeria during its 6-year National Development Plan, there had been no formal coordination among such donors. We noted that significant amounts of Nigerian resources, in the form of financial contributions and personnel, were required to absorb much of this external assistance. Further, in many instances assistance provided by these donors was for use in the same general areas. We also noted that the United States was aware of these facts and of the desirability of coordinating offers of external assistance.

Our review indicated that the Government of Nigeria objected to coordinative efforts among donors and expected each to deal solely with it. We were, however, informed that donors, at times, did informally discuss their efforts and that such discussions had resulted in the avoidance of some duplication. Senior American officials in Nigeria informed us that they were in favor of formal coordination to assure the effective utilization of assistance and to preclude duplication.

AID informed us that in light of the Nigerian Government's reluctance to agree to formal coordination among donors, it believes that the reestablishment of the Nigeria Consultative Group under the leadership of the International Bank for Reconstruction and Development (IBRD) offers the best long range solution to the problem. Further, AID indicated that when conditions in the country permit, it will encourage this course of action. In the meantime, AID advised that it is continuing to maintain close contact with other donors on an informal, ad hoc, but regular basis.

The Consultative Group had undertaken comprehensive studies of the Nigerian economy and had sponsored a multi-donor high level meeting to help coordinate aid and plan financial support of priority development projects in Nigeria. However, the Group has been inactive because of the uncertain political situation.

We recognize that conditions in Nigeria may preclude full formal coordination among donors for economic development for some time. However, we believe that efforts in that direction should be exerted now, and that AID, through the Department of State, should take the lead both in establishing the Group and in developing an agenda to be followed in implementing coordination efforts. To this end it might be appropriate for AID to consider meetings and discussions with such donors at agreed-upon locations outside of Nigeria.

ASSESSMENT OF HOST COUNTRY CAPABILITIES

During our review we noted that the Nigeria Government, in a majority of the projects examined, had not fully met its commitments thereby delaying accomplishment of project objectives. We noted in seven of the ten technical assistance projects reviewed, that the Nigerian Government did not provide required manpower and that in four of the ten projects it did not provide sufficient funds. Further, in many of the cases noted, it should have been apparent prior to negotiation of initial and/or subsequent project agreements that Nigeria either did not have the capability or was unwilling to provide the required resources.

In response to the draft of our report, AID stated that it is inherent in developing countries that they will face difficulties in maintaining initial commitments for appointment of scarce, qualified manpower and in living up to original financial priorities and that a 1963 AID directive requires prior determination of the capability and willingness of the host country to carry out its part of AID financed projects.

While we recognize that it may be in the interest of the United States to continue a project even though promised support has not been provided, we believe that it is incumbent upon AID to determine the causes for, and the extent to which the United States' contribution to a project would be increased, because of the lack of host country support. This information in our opinion, will better enable AID to develop a negotiating position with respect to both the continuance of assistance to existing projects and the provision for future assistance.

AID PROJECT IMPLEMENTATION

During our review, we found several instances where project agreements were either not utilized or utilized in such manner as to render them unrealistic. For example, we noted cases where project agreements, containing substantially the same provisions, were negotiated year after year, even though the host country failed to meet its prior obligations in terms of contributions to the project. We also found several instances where a lack of mutual understanding of objectives hampered the attainment of project goals. In addition, we found in some cases that work plans and progress reports were not being furnished in a timely manner and therefore could not be used to evaluate performance and assure that efforts were being directed toward meeting project objectives.

Project agreements are entered into annually and set forth the essential understanding and agreements between AID and the cooperating government with respect to such matters as, (1) objectives, (2) estimated duration of the project, (3) nature of the work to be performed, (4) obligations of the respective parties in terms of contributions to the activity, and (5) terms and conditions which are to apply.

A work plan is designed to show the full scope and dimension of an activity over the course of its life, the individual work steps, interrelationships, cost elements and phasing and scheduling of execution. Contractors are required to submit semiannual progress reports which cover the status of their work and set forth their plans for the ensuing year or half-year.

The above findings indicated to us that there is a need both for more formalized documentation and insistence that established requirements be met. We believe our review indicated a need for improved in-country management control and evaluation to deal with these problems.

AID believed the observed shortcomings were due more to operational difficulties in implementing existing regulations than deficiencies in AID requirements for planning, staffing standards or contractors' performance.

AID further advised us, however, that further improvements in Nigeria's program performance may result from increased emphasis on evaluations of project management and that the centralization of the Mission's administration should contribute to tighter project monitoring and accelerate the shift of major problems to higher Mission levels for attention.

NEED FOR IMPROVED DEVELOPMENT
LOAN IMPLEMENTATION AND MONITORING

During our examination of development loans made to Nigeria we noted three instances where loan funds had been committed for excessive periods due principally to design problems resulting in increased construction cost of about \$4.6 million and anticipated additional costs of \$1.6 million. We also noted two instances where the Mission was not adequately monitoring projects. Accordingly in the draft of our report, we proposed that AID explore means of identifying critical bottlenecks in the implementation of loan projects and initiate corrective action.

AID subsequently advised us that it agreed with the objective of our proposal and indicated that it had initiated actions which it believed will result in improved administration of development loans. AID stated that it had issued instructions to insure the timely receipt of reports which should assist in improving the monitoring of loan projects. Further, in order to reduce the amount of loan funds not utilized for substantial periods of time AID intends to authorize future loans in two stages; initially for design, then for construction. AID also informed us that the two loan officers assigned to Nigeria since 1966 would be retained to assist in the development and monitoring of the loan program.

We believe that the above actions, if effectively implemented, should result in improved loan administration and reduce the amount of unutilized loan funds.

With respect to a loan for the procurement of 85,000 telephone instruments, we were advised that agreement had been reached to reduce the number of instruments on order to 59,000 and to reduce the loan by \$400,000.

ADMINISTRATIVE MATTERS - AID

In our review we observed a number of situations which we believe indicate a need for improved administration, the more important of which are discussed below.

1. We noted that to circumvent the imposition of certain local hire personnel ceilings by AID/W, the Mission, on July 1, 1964, entered into a 1-year contract to retain the services of casual labor, watchmen, janitors and drivers who had previously been local hires. The contract was subsequently extended on a monthly basis through June 30, 1967.

The Mission advised us that the contract was entered into as a means of maintaining Mission performance levels in the face of drastic reductions in local personnel ceilings imposed by AID/W in June 1964 and again in fiscal year 1967. They further stated that this action resulted in an unavoidable, circumvention of the ceiling limitations. In addition, the Mission advised that subsequent to GAO's initial comment on this matter, AID/W increased the ceiling and the contract was terminated on October 7, 1967.

In regard to personnel ceilings AID has advised us that the successive allocations proceeding down from the Bureau of the Budget to the Agency and regional bureau are imperfect. Further, that the standards used by AID for allocating the ceilings among countries are not adequate to reflect actual needs in each country. In addition, AID advised us that it was for such reasons that AID's Missions are constantly negotiating to obtain changes in ceilings for local hire staffs.

2. We found that AID provided about \$163,000 for technician housing notwithstanding that project agreements specifically stated that provision of such housing was to be the responsibility of the Nigerian Government. We also noted that AID, without establishing criteria for, or documenting its basis for assuming the responsibility for, provided about \$712,000 for housing in instances where project agreements stated that housing was the responsibility of the Nigerian Government except as otherwise mutually agreed. It also furnished appliances and air conditioning units for the houses, as well as for about 200 other houses provided by the Nigerian Government for AID-funded technical assistance personnel.

The basis for AID assuming responsibility for housing appears to have originated in a Mission Director's memorandum dated May 1961. This memorandum provided that the Cooperating Agency will be responsible for providing adequate living quarters for United States technicians. Further, that where it is subsequently determined that the Cooperating Agency is unable to provide adequate housing, the Mission will do so, subject to agreement with the Cooperating Agency and the availability of program funds.

Our review showed that AID had not established criteria to determine whether the Nigerian Government in fact had the financial capability to assume the costs of staff housing. In addition, we were informed by a Mission official that specific criteria had not been established and that individual determinations to furnish housing had not been documented. Notwithstanding these facts, we noted that AID did assume about \$875,000 in housing costs.

AID officials in reply to the draft of our report stated that a recent review of contractor support by the Mission has resulted in a decision that all contractor housing henceforth will be provided by the Nigerian Government. Certain items such as air conditioners will continue to be provided, but there has been a recent tightening up of the Mission's willingness to provide the contract staff with maintenance, repairs, and equipment. This will only be done in emergencies, otherwise, the Nigerian Government is to be responsible.

3. The United States has furnished substantial assistance to Nigeria since its independence from the United Kingdom in 1960. Notwithstanding this, the United States has not executed a bilateral country agreement with Nigeria but has continued to operate under a bilateral agreement with the United Kingdom which was ratified by Nigeria upon its independence.

AID advised us that although the current political crisis has resulted in the suspension of bilateral negotiations, they are expected to resume at an appropriate future time.

It seems to us that a basis for a bilateral country agreement should have been developed prior to AID furnishing substantial economic assistance to Nigeria over a long term.

AID has indicated that although a bilateral country agreement would have been desirable, there were, at that time competing considerations facing them. Newly independent nations, they felt, require time to work out new relationships and that Nigerian attitudes might have made it difficult to achieve a satisfactory agreement. AID agreed, nevertheless, that this issue should have been pressed harder for earlier conclusion.

We believe this is an important element for consideration before AID embarks upon a renewed development plan for post-war assistance.

SELF-HELP PROJECTS FUND

Our review of the AID special self-help fund as it related to Nigeria showed that:

- (1) The majority of applications requesting use of the fund was rejected primarily because the proposed projects failed to meet established criteria.
- (2) Only about 65 percent of the available funds for self-help projects through June 30, 1967 was obligated.
- (3) The length of time between the submission of an application and its approval was unduly long.

Since about 80 percent of the projects under the AID self-help fund was generated by Peace Corps volunteers, our review of the fund was limited to those projects sponsored by Peace Corps volunteers.

We found indications that the basic cause of (1) and (2) above was that volunteers received little exposure concerning the availability of the fund and the criteria established for projects to be funded. Although we did not ascertain the exact reasons for the long delays, we did find that they had an adverse effect on fund utilization. The Mission Controller advised us, however, that many of the projects had to be critically reviewed by qualified engineers because the Mission staff was concerned about the practicality and safety of the projects. Since there was a limited number of engineers, delays did occur.

The AID special self-help fund was established in December 1964 in all African countries receiving United States technical assistance. Originally, the annual funding level was \$25,000 for each country. More recent provisions permit authorizations of up to \$75,000 yearly.

The objective in establishing this fund was to provide financing for worthy self-help projects having high impact and lending themselves to speedy and simple implementation. The criteria established by AID for governing the use of this fund included:

- (1) Activities supported should be of a self-help character and be promising of favorable political benefit to the United States.
- (2) Activities preferably should be marked by a large degree of local participation and be small in cost.
- (3) The assistance generally should be short term and essentially nonrepetitive and noncontinuing, and be capable of simple administration.
- (4) The assistance should require a minimum of time of United States officials, and be designed to benefit a relatively large number of people.

We believe that self-help projects can be a most useful and productive form of assistance at a low dollar cost. Moreover, we believe that self-help projects can be most useful to volunteers in gaining the confidence and acceptance of the Nigerian people. Accordingly, it appears to be a worthwhile objective to establish improved communication concerning

the availability and criteria for using the fund in order that volunteers can readily determine the appropriateness of self-help projects. Therefore, we proposed in the draft of our report that the availability of the AID special self-help fund and the criteria for its use be included as part of future Peace Corps volunteer training programs. We also proposed that consideration be given to preparing and distributing a self-help fund manual or pamphlet to all volunteers.

The Peace Corps stated that the staff in Nigeria most wholeheartedly endorsed the AID special self-help fund, and agreed that the approval process should be speeded up. The Peace Corps stated that every group of volunteers, since the arrival of the 24th group in October 1966 has received a briefing on self-help funds during their orientation period in Lagos. The Peace Corps also advised us that it issued checklists and guidelines to volunteers to assist them in their consideration of possible self-help projects.

AID advised us that it had taken action to assure better exposure to the fund through the preparation of an information brochure and a new field manual. It also had simplified application forms, criteria, and was in the process of simplifying procurement procedures in order to expedite the processing of self-help projects. We believe that these actions by AID will also enhance the effective utilization of this fund.

PEACE CORPS ACTIVITIES

Our review of Peace Corps activities in Nigeria was directed primarily toward evaluating the planning, programming, training and assignment of volunteers. We reviewed Peace Corps programs in the fields of education, and agriculture and rural development. We also considered a program in public health that was terminated while the volunteers were still in training. Our review of the education sector included secondary school teaching assignments, university teaching assignments, and a teacher training specialist program. Our review of the agriculture and rural development program included the first four groups of volunteers sent to Nigeria under this program.

Our examination showed indications that the planning, programming, training and assignment of Peace Corps volunteers for Nigeria was not as effective as it should have been. In our opinion, undue emphasis was placed upon assigning large numbers of volunteers to Nigeria without sufficient emphasis placed upon assuring that volunteers were assigned to positions for which a demonstrable need existed or upon the effect that other problems, including training, would have on the assignments.

The Peace Corps began its activities in Nigeria in 1961 with an educational program, primarily secondary education. This program has been the largest Peace Corps activity in Nigeria. The scope of the Peace Corps activities was expanded in 1964 to include an agriculture and rural development program. A program in public health was not implemented although a group of volunteers had been recruited and trained in 1966. Through fiscal year 1967, over 1,700 volunteers had served in Nigeria at a cost of about \$25 million.

At the time of our field work there were 679 volunteers in Nigeria participating in the following programs: 299 in secondary education, 19 in university education, 167 in various vocational and teacher training schools, 166 in agriculture and rural development, and 28 in other activities. Shortly thereafter Nigeria placed restrictions on new Peace Corps members to be allowed in the country, and the total numbers in Nigeria have subsequently been sharply reduced.

Our review of the Peace Corps' educational program showed indications that (1) volunteers were placed in secondary schools without determining if the positions could be filled through other sources available to Nigeria; (2) volunteers were assigned to university teaching positions even though there was not a demonstrable need for teachers at this level; and, (3) a new Peace Corps initiated teacher training program was undertaken in the Mid-Western Region without adequate advance planning, and without evaluation of the host government's capability to effectively support the program.

Our review of the agriculture and rural development program indicated that only a limited number of these volunteers possessed the background, either by virtue of education or experience, required for the jobs to which they have been assigned; that the technical training provided these volunteers by the Peace Corps was not adequate or appropriate for the jobs they were requested to perform; that, prior to the arrival of certain volunteers, the Peace Corps staff failed to resolve problems relating to volunteer assignments with the host government; and that the major problems which confronted the initial group of agriculture and rural development volunteers in 1964 also confronted the group of volunteers who were in country at the time of our field visit in 1967.

Regarding the public health program, the agency claims that it was cancelled because of the refugee problem. Our review, however, showed that a major factor in the decision for termination was the poor technical training afforded the volunteers by an American university.

In reply to the draft of our report, the Peace Corps stated that the staff in Nigeria was aware of most of the problems pointed out by our review, and that we obtained much of our information from their evaluations. As we do in most reviews, we relied heavily on information available in agency files. Further, we acknowledge that the Peace Corps was aware of most of the problems included in the draft report. It was also evident, however, that this awareness had not been translated into prompt corrective action.

It is our view that the Peace Corps, subsequent to our review, has undertaken and accomplished a realistic and highly commendable reassessment of its program in Nigeria. This has resulted in a major reduction in the number of volunteers being programmed, and perhaps more importantly, greater emphasis on adequate training and utilization of volunteers. We believe, however, that such re-evaluations should not be undertaken only during times such as the civil disturbances in Nigeria, when an enforced "hiatus" makes reassessment mandatory. Instead, we believe that such re-evaluations should be carried out continuously.

The Peace Corps has advised us that since the time of our field work, the number of Peace Corps volunteers in Nigeria had been reduced to about 200, and that before the number of volunteers in Nigeria grows again, it plans to scrutinize critically the record of the past.